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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of	Docket No: A7809
Patrick A. FORTE	
Appln. No.: 09/644,560	Group Art Unit: 3621
Confirmation No.: 2556	Examiner: Daniel L. Greene
Filed: August 24, 2000	
For: FINANCIAL MANAGEMENT SYSTEM	

RESPONSE UNDER 37 C.F.R. § 193 (b)(2)(ii)

MAIL STOP AF
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Sir:

Pursuant to 37 C.F.R. § 193 (b)(2)(ii), the appellant, Patrick Forte, respectfully responds to the

Office Action on August 11, 2004 by requesting that the appeal in this case be reinstated. A

Supplemental Brief on Appeal is submitted herewith.

Respectfully submitted,

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WASHINGTON OFFICE
23373
CUSTOMER NUMBER

Date: October 26, 2004

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In re application of   Docket No: A7809

Patrick A. FORTE

Appln. No.: 09/644,560   Group Art Unit: 3621

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Filed: August 24, 2000

For: FINANCIAL MANAGEMENT SYSTEM

SUPPLEMENTAL BRIEF ON APPEAL

MAIL STOP AF
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Sir:

Pursuant to 37 C.F.R. § 193 (b)(2)(ii), the appellant, Patrick Forte, respectfully requests

reinstatement of the appeal and submits this Supplemental Brief on Appeal.

A Notice of Appeal was filed on April 2, 2004 and a brief on appeal filed on May 26,

2004. The Examiner reopened prosecution by Office Action on August 11, 2004. The Examiner

dropped reliance on all the references originally cited and applied that were the basis of the

original appeal. The Office Action sets forth new rejections predicated on two new references

("Taylor" and "Davis"). Appellant has carefully considered each reference and has concluded

that the rejections are in fact weaker than those forming the basis of the original appeal. The

new rejections also include outcome determinative errors of law in the misapplication of

decisions dealing with "printed matter" to the claims, where no such issue is present.

Accordingly, reinstatement of the appeal is requested based on the same claims and extrinsic

record.

(1) *Real party in Interest*

The real party in interest is the appellant, Patrick Forte.

(2) *Related appeals and interferences*

There are no other appeals or interferences known to appellant, the appellant's

legal representative, or assignee (the application is not assigned) which will directly affect or be

directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) *Status of claims*

This application contains 38 claims. Claims 1-19 have been cancelled. Claims 20 -38 are

pending and are the subject of this appeal. The claims are attached to this brief in the Appendix.

(4) *Status of Amendments*

An amendment under 37 C.F.R.§ 116 was filed on February 23, 2004. By

Supplemental Advisory Action dated April 7, 2004, the Examiner indicated that this amendment

would be entered for purposes of appeal. There have been no amendments filed since

prosecution has been reopened on August 11, 2004.

(5) *Summary of Invention*

This invention relates to a financial management system employing a unique interaction

between commercial consumer establishments (i.e., stores) and the existing banking structure. At

the store the customer maintains a house account at a particular merchant. This store account is

defined as a "stored value account" (SVA) and as illustrated in Fig. 1 this allows activities to

take place at that consumer level, with a particular merchant, while still requiring that the

customer's bank does all clearing activities and thus has ultimate control over the account. The

SVA is unique to each merchant. The claimed system thus operates within the confines of the

established regulatory banking structure.

In accordance with this invention a new operation is defined where individuals can

register with and which uses standard batch (non-real-time) Electronic Funds Transfer ("EFT")

Automatic Clearing House ("ACH") transfers coordinated with a new interface to merchant

stored value service. The invention performs automatic batch/overnight purchases/increases of

additional merchant stored value (by automatic EFT ACH transfers from individual's Demand

Deposit Account bank account ("DDA") to the merchant's DDA bank account with a

corresponding notification to the merchant stored value service) and/or decreases of individual's

merchant stored value by automatic EFT ACH transfers from merchant DDA bank account to the

individual's DDA bank account (and corresponding notification of the merchant stored value

system indicating the reduction in value) (See Fig. 1).

The merchant and the merchant stored value service never has access to any privacy

and/or identity information related to the individual. The invention is a new service that supports

preserving anonymity and privacy of the individual at merchant locations.

There are existing stored value infrastructures, typified by the gift cards. An individual

may purchase a stored value (which may be anonymous) at a merchant and access it via a

standard stored value card. This however is an isolated activity at the point of sale with an

amount of the purchase being debited from the card and thus no clearing of the transaction at the

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bank level. In that regard, the phrase "point of sale" or "point of transaction" is well known and conventionally defined as the cash register or check-out lane/area where the transaction occurs. These phrases do not connote generally the entire physical store or a merchant generally , but rather the specific location within the store where the transaction actually occurs.

An individual may also have a standard demand deposit bank account (DDA) (See Fig. 2). This invention involves a new service that supports standard EFT ACH transfers between a standard DDA bank account and a merchant anonymous stored value. The individual registers with the service, providing the service with their DDA bank information that allows standard EFT ACH transfers and the necessary details about their merchant stored value. This service interfaces to existing merchant stored value systems as well as the standard EFT ACH financial network with access to both the merchant DDA account(s) and the necessary customer DDA accounts.

Under proscribed rules specified by the customer at registration time with the invention, the service will perform an EFT withdrawal from the merchant DDA account, an EFT deposit to the customer DDA account and notify the merchant stored value system of the reduction in the individual's stored value at the specific merchant. This results in transferring funds from the individual's merchant stored value to the individuals DDA account without needing to divulge to the merchant identity and/or privacy information about the individual. It is also possible for the service to automatically purchase additional merchant stored value for an individual. The service performs a standard EFT withdrawal from the individual's DDA account and deposits it in the

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merchant DDA account. It then informs the merchant stored value service of the increase in the

value (See Fig. 1).

The invention here allows:

    1) automatically transferring funds (in either direction) between existing bank accounts

and merchant stored value/gift card accounts,

    2) manually initiated transfer of funds (in either direction) between existing bank

accounts and merchant stored value/gift card accounts,

    3) preserving consumer anonymity at merchant location by not exposing the consumer

bank account information in the transaction (whether it is moving funds from the merchant gift

card account or moving funds into the merchant gift card account),

    4) is not involved in normal POS merchant transactions which are either existing

bankcard transactions or existing stored value transactions,

    5) maintains a list of each customer bank account, each customer stored-value account,

and each merchant bank account,

    6) can move value from existing bank account into existing stored-value account, with

the funds being deposited to the merchant bank account and the merchant stored-value

infrastructure being advised as to the change in stored-value balances, and

    7) can move value from existing stored value account into existing customer bank

account (with the resulting funds drawn from the merchant account and deposited into the

customer account) with the merchant stored-value infrastructure being advised as to the change

in stored-value balances.

There is no change in the way an individual accesses and/or utilizes their standard DDA

bank account. The invention involves a new service that can be setup to automatically perform

standard EFT ACH withdrawals and deposits for both individual DDA bank accounts as well as

merchant DDA bank accounts. Furthermore, this service is able to notify the merchant's stored

value service as to increases and/or decreases associated with specific stored value amounts.

An important aspect of this invention is that at the point of transaction (or sale), the

customer may use his pay check or other negotiable instrument, pay for goods or services with

the balance credited to his personal merchant stored value account.

The invention uses the standard banking infrastructure as it is currently used and does

not require regulatory approval. For example, it provides for automatically increasing and/or

decreasing individual merchant stored-value by overnight EFT ACH transfers.

(6) *Issues*

[a] Whether claim 20 is unpatentable under 35 U.S.C. § 102 (b) as being

anticipated by Taylor (U.S. 5,578,808, hereinafter "Taylor")?

[b] Whether claims 21 -38 are under unpatentable under 35 U.S.C.§ 103 (a) over

Taylor further in view of Davis et al (U.S. 6,282,522, hereinafter "Davis")

(7) *Grouping of claims*

Claims 21 -38 stand as a group pursuant to the rejection under 35 U.S.C.§ 103.

Claim 30 is the sole independent claim in that group. Appellant contends that these claims do

not stand or fall as a group. In addition to claim 30, separate grounds of patentability exist for

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claims 23, 25, 27, 33 and 38 as a distinct sub-group. Pursuant to 37 C.F.R.§ 192 (c) (7) a

separate argument of patentability for these claims will be presented.

(8) *Argument*

[a]The Rejection Under 35 U.S.C. § 102.

Claim 20 stands rejected as being anticipated by Taylor. To anticipate and render claim

20 unpatentable, Taylor must affirmatively teach to one of ordinary skill each limitation of the

claim. That is, anticipation requires that the claimed invention, to have been known in the prior

art "in the detail of the claim", such that each element and limitation contained in the claim is

present in a single prior art reference, "arranged as in the claim". *Karsten Mfg. Corp. v.*

Cleveland Golf Co., 242 F.3d 1376,1383, 58 USPQ2d 1286 (Fed. Cir. 2001).

Taylor does not anticipate claim 20 for two independent reasons. Both are tied to a

critical defect in the reference as not containing any affirmative disclosure of a point of deposit

in a unique merchant level account maintained at a commercial institution, the claimed "stored

value account for a merchant". This is essentially a house account at the merchant level, having

a positive balance, that is stored value, for use by the customer exclusively at that merchant.

[1] Claim 20 defines:

> Means for allowing a customer to access his *individual program account*, the
> individual program account being an account representing an array of accounts that have been
> individually selected by the customer from the totality of the accounts and including at least one
> *stored value account for a merchant*,
>   (emphasis added)

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Taylor does not anticipate since there is no affirmative disclosure of an account located at the merchant level, that is a stored value account as set forth in claims 20. That is, Taylor does not utilize any stored value system at the merchant level.

Taylor defines a multi use "smart card", one that combines a number of single application credit cards into a single data card. (See Fig. 1, Col. 1, lines 20 - 61). Taylor also discloses a myriad of other uses for this card such as a cash card (Col. 5, lines 14-19, 39-40) and for storing records associated with the card user (Col. 5, lines 41-49). Taylor also discloses a methodology by which a prepaid and/or debit transaction can be made (Fig. 6A) by including electronic funds transfers (Fig. 7, Step 202) so that value is transferred to the card. By this technique transactions other than those based on credit can be effectuated. The electronic funds transfer thus takes funds from a financial institution and transfers an authorized amount to the card itself (Fig. 8, Step 220). This creates a cash card for transferring value from the card to a vendor (Fig. 8, Steps 216, 218) to settle a transaction.

Despite the breath of application of Taylor, what is lacking is the existence of a stored value account at the vendor level (i.e., the merchant in the claims). In fact Taylor teaches away from these individual stored value accounts at the merchant level. What is emphasized in Taylor is a collective stored value on the card itself (Col. 8, lines 20-39). The value of the card can be applied to individual transactions at a multiple of different vendors. One of working skill would understand that Taylor concentrates value on the "smart card" instead of distributing it at different merchants, as claimed.

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The first error in the rejection is thus in the statement in the Action (p.3, first full paragraph) relying on Taylor Column 3, lines 20-54 for the existence of " least one stored value account for a merchant". There is nothing in that portion of Taylor which identifies the existence at the vendor/merchant level of an account, by any name, which connotes the presence of stored value at the merchant level.

Taylor discloses two examples of the use of the stored value but this is maintained on the smart card. The first is as a cash card, avoiding the necessity for traveler's checks (Col. 5, lines 14-19). The card is directly debited based on cash obtained. The second is for mass transit, like a "metrocard" (Col. 5, lines 39-40). Again, the card is directly debited. In both the card provides access to the service but payment is by debiting the card instead of accessing an account associated with the service (the claimed stored value account at the merchant level), which unique account is debited.

Taylor therefore discloses stored value but it is not associated with a merchant and maintained at that level. It is retained on the card and then allocated from the card, transaction by transaction as they occur and wherever the card is used, until the card's money value is depleted. At that point more value is electronically placed on the card itself (Col .8 lines 29-33)

The Examiner's analysis *vis-à-vis* claim 21 demonstrates this error in analysis as to this claimed feature. Here the Examiner admits that Taylor does not disclose " a plurality of stored value accounts maintained by a merchant for a plurality of customers each having an individual program account". This is accurate and can be extrapolated to the use of the smart card. Presumably if one smart card contained stored value account data (which is does not) then a

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plurality of such cards accessing the same vendor (VISA for example) would constitute the claimed plurality of stored value accounts of claim 21. Alternatively, one card having a plurality of different accounts (again, not the case) could have stored value for each account. But the Examiner is correct, Taylor does not disclose the claimed plurality of house accounts each having separate value, it does not disclose even one such account associated with a single card. The card simply acts as holding point for value in a general sense and is not associated with any account or merchant. This admission concerning the lack of disclosure in Taylor is thus telling with respect to the rejection based on anticipation.

It is respectfully submitted that the artisan reading Taylor would have no difficulty discerning the difference between smart card attributes at the card level on one hand and accounts maintained at the merchant level on the other. The artisan would certainly understand this difference in the context of the Taylor system. Taylor purposefully collects and maintains data on the card. Taylor also maintains a "pool" of value on the card that is not associated with any particular vendor or account. There is no individual stored value assigned to and maintained by a vendor (as claimed); value exists in Taylor only at the higher level of the card itself. When the user decides to use the card as a cash equivalent (travelers checks Col. 5, lines 14 - 18) or as a debit card (Col. 5, lines 39-40) the amount is subtracted off the card. It is not debited from an account associated with the particular use.

The first crucial difference between claim 20 and Taylor, is that while the reference defines a multitude of functions performed by the smart card, none involve establishing, merchant by merchant, stored value accounts.

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The claim, in contrast to Taylor, defines the establishment and use of "at least one stored value account for a merchant". This is maintained at the merchant level. The interface between this merchant maintained account and the bank functions "to credit" as instructed by the merchant to the customer's demand deposit account "at a bank". This architecture highlights the difference between merchant assigned accounts (claim 20) and a pool of value simply identified on the card for use with respect to multiple tasks (Taylor).

On that basis a first factual defect exists in Taylor precluding anticipation under 35 U.S.C. § 102.

[2] Claim 20 specifically provides:

Means to support a customers' transactional interchange of said *individual program account* including access to a *stored value account* having been pre-authorized by a customer to settle transactions.
(emphasis added)

Taylor does not anticipate for the further reason that this facet of claim 20 is not disclosed. The Examiner (Action p. 3) relies on Col. 5 lines 5-40 as disclosing this "means" which as claimed includes " access to a stored value account ". Taylor does not support that conclusion. Col. 5 does define a plurality of different customer accounts assessed by the smart card but none have a stored value account maintained by the merchant. To meet the claim, in the context of Taylor, stored value accounts would have to be set up for United Airlines and Hertz, which are individual program accounts. The purpose would be to settle transactions separately with each of those accounts, applying limits based on the stored value in each account. Taylor

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does not disclose this feature. In Taylor "stored value" is maintained as a single value on the card to be applied across the spectrum of potential use.

If the money runs out, the card is refreshed with a transfer of value from a financial institution to the card itself (Fig. 8).

The Examiner erroneously concludes that Taylor discloses the "means to support a customers' transactional of said individual program account including access to a stored value account...". The portion of Taylor relied on, Col. 5, lines 5-40 does not include any teaching or suggestion of the functions summarized to include access to any stored value account that exists at the merchant level. Indeed the remainder of Taylor which details the operation of his system compels the conclusion that nowhere does Taylor recognize or teach a merchant – as opposed to the card – have any stored value account. Consequently, the "means to support" is not present in Taylor, a second reason why there is no anticipation.

These two holdings by the Examiner with respect to claim 20 are factually incorrect and form the basis of reversal of the rejection under 35 U.S.C. § 102. A reference anticipates only if it enables one skilled in the art to make and use the claimed invention. *Bristol-Myers Squibb Co. v. Ben Venue Laboratories, Inc.*, 246 F.3d 1368, 1374 (Fed. Cir. 2001). See also, *Teleflex, Inc. v. Ficosa North America Corp.*, 299 F.3d 1313, 63 USPQ2d 1374 (Fed. Cir. 2002).

Taylor does not anticipate claim 20 for any one of these reasons and this rejection should be reversed.

[b] The Rejection Under 35 U.S.C. § 103

[1] Independent Claim 30

Turning first to the independent method claim, the Examiner's reliance on Taylor is again traversed (this rejection apparently does not rely on Davis since there is no reference to any portion of that reference in the statement of rejection).

The Examiner admits that than none of the steps defined in claim 30 are disclosed in Taylor. (Action p. 8, first full paragraph).

The rejection contains both factual errors as well as errors of law, either of which mandate reversal. The Examiner errs factually in holding that any of the program accounts to which the card is used "could be a stored value account" (Action p, 8). The rejection does not identify any particular portion of Taylor containing such a disclosure or suggestion. As set forth herein *vis-à-vis* the holding of anticipation no disclosure on this point exists in Taylor. The Examiner's conjecture on what "could be" in Taylor, in the first instance, is belied by the lack of disclosure in Taylor.

Moreover, in the context of a rejection predicated on obviousness, a review of Taylor confirms the conclusion that the accounts relied upon (VISA, AIRLINES, HOTEL) would not be stored value at the merchant level, in direct contrast to the conjectural conclusion reached by the Examiner that program accounts "could be a stored value account." Rather, the opposite is true, namely that Taylor clearly pools value at the bank and Smart card level. Instead of diversifying value at individual merchants, Taylor maintains it at a central location, i.e., the bank and used on

a pay as you go basis. In accordance with Taylor, the value on the card could be applied to settle accounts at AIRLINES, etc. since there is no stored value maintained by the customer for any airline. The reference thus leads away from the establishment of the claimed accounts.

The Examiner concludes " Also, these accounts, as shown by Taylor can be interactive as per Fig. 7-8." If the Examiner is contending that interactivity exists between individual program accounts like VISA, AIRLINES, HOTEL, then this is factually incorrect. Taylor does not disclose interaction between the various accounts for which the card may be used.

The Examiner then concludes "So, these differences are only found in the non-functional descriptive material and are not functionally involved in the steps recited. The executing a transaction step would be performed the same regardless of the type of name given to an account. Thus, this descriptive material will not distinguish the claimed invention from the prior art in terms of patentability..." (Action p. 8, citations omitted). This holding is legally flawed.

The Examiner has misconstrued claim 30, a method claim and relied on irrelevant decisions that do not support his conclusion. His citation and reliance on *In re Gulack*, 703 F.2d 1381 (Fed. Cir. 1983) highlights the error. *Gulack* dealt with apparatus claims that included claim limitations dealing with printed material on the device. The issue was the proprietary of not giving the claimed printed matter patentable weight.

Nothing of the sort exists here, there is no printed matter claimed. The Examiner errs in contending that the claimed subject matter defining specific accounts is somehow analogous, what the Examiner defines as "descriptive material" in the claims. He concludes that those claim limitations cannot impart patentability.

The analysis is flawed. The claims here are method claim defining a sequence of steps and not printed matter, like a bar code on check. Rather they define exactly what accounts and method architecture is established. These are substantive limitations in the context of a method claim which cannot be ignored under the guise of "descriptive material".

Moreover, *Gulack* affirmatively requires that even in the situation of printed matter (not the case here) the claim cannot be dissected and used with the objectionable portion removed - rather in a rejection under section 103, the claim as a whole must be considered. (Id. P. 1385). However the Examiner characterizes the claim wording, it cannot b summarily disregarded. The Examiner's reliance on *Gulack* is incorrect for multiple reasons.

Lowery, also relied on by the Examiner actually supports appellant. This decision emphasizes that it is incorrect to analogize a claimed data structure to printed matter. *In re Lowery*, 32 F.3d 1579, 1582-4 (Fed. Cir. 1994). The Court emphasized that the claims in *Lowery* defined a specific organization with interaction between the elements. Same here.

Claim 30 is a method claim requiring first the steps of establishment of four different accounts. The first three of these accounts are customer accounts. The first claimed "stored value account" is defined in claim 30 as within the claimed customer individual program account. The stored value account is therefore a part of a greater account, "a customer individual program account." Claim 30 defines "establishing a merchant stored value account." This is the account at the merchant level.

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The claimed invention, in the establishment of the respective accounts, therefore limits

the first stored value account as a part of the customer individual program account and the

second stored value account at the merchant.

The claim then defines the step of a transaction between the consumer and the merchant.

This transaction is not directly between the consumer and his bank. It is not a transition directly

between the merchant and his bank or the merchant and the consumer's bank. Rather, the

claimed transaction occurs at the merchant – consumer level. The claim as a whole therefore

limits the stored value account as one accessed at the consumer- merchant level.

Claim 30 then defines the ordinary situation where the applicant has defined in the claims

limitations ascertained from the specification. See: *Bell Atl. Network Servs., Inc.*, 262 F.3d 1258,

1268 (Fed. Cir. 2001). To the extent that the applicant is acting as his own lexographer in the

definition of these accounts such is a permissible claim technique. *Vitronics Corp. v.

Conceptronic, Inc.*, 90 F. 3d 1576, 1582 (Fed. Cir. 1996). The Examiner's legal error is the

misconstruction of the claims as in the Examiner's words ("nonfunctional descriptive material")

and then relying on cases that do not pertain at all.

The Examiner's conclusion on obviousness (Action. P. 9) is no more than paraphrasing

the language of claim 30, contending it is practiced in Taylor, or rendered obvious over Taylor

but is bereft of probative analysis. There is nothing in the reference that teaches or suggests the

establishment of the three different customer accounts as claimed – in fact there is nothing

equivalent to those accounts disclosed. The definition of those accounts has a direct impact on

the claimed method since in the first instance particular accounts are created which then affects how they are used.

In the claimed invention, there is no change in the way an individual accesses and/or utilizes their standard DDA bank account. The invention involves a new service that can be setup to automatically perform standard EFT ACH withdrawals and deposits for both individual DDA bank accounts as well as merchant DDA bank accounts. That is the substance of the method claims. Furthermore, this service is able to notify the merchant's stored value service as to increases and/or decreases associated with specific stored value amounts.

Also, Taylor, leads directly away from the claimed method. Taylor would instruct the establishment of one value account at the central bank level with a portion transferred to the smart card as needed. Taylor does not instruct that an account ("stored value account") within an account ("customer individual program account") be established on the customer side. Taylor does not instruct or suggest establishing a separate merchant stored value account or anything performing the same function as claimed. Consequently, the criticality of the "executing " step becomes understood since it is not merely performing any transaction, as the Examiner seemingly holds, but rather one "affecting the accounts balances" in each of the three accounts that have been established, the customer stored value account, the customer demand deposit account and the merchant stored value account.

Neither Taylor nor Davis nor any combination of the two render claim 30 obvious.

The holdings by the Examiner as to other claims, confirm that the analysis is distinctly hindsight based, an indication of a flawed approach to obviousness. The Examiner must first

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correctly define the scope and content of the prior art as a predicate for any analysis of the differences between that prior art and the claims. While this group of claims is predicated on the allowance of claim 30 the appellant provides here further evidence of factual errors by the Examiner in his determination of the scope and content of the prior art as applied to other claims in the group, including by implication claim 30.

Claims 21-38 stand rejected as obvious over Taylor in view of Davis. The Examiner, admitting that Taylor does not disclose "a plurality of stored value accounts by a merchant for a plurality of customers each having an individual program account", relies on Davis for a disclosure of that claimed feature in claim 21 (Action p. 4). The Examiner then concludes that it would have been obvious to provide the system of Taylor with access to the companies/merchants in Davis having plurality of stored value accounts maintained at the merchant /customer level. The Examiner offers as a rationale that such would provide "the capability of functioning as a payment server at its own site and providing the convenience of on site banking functions at the companies/merchants site". (Action, p. 4) This is factually flawed and supports reversal.

First, the Examiner has the scheme of Davis totally backward and wrong. Davis, like Taylor, uses a smart card and does not establish separate stored value accounts at the merchant level. Davis provides a definition of the smart card that is consistent with Taylor (See Col. 3, lines 13 –25, 43 -51). He states:

A smart card is typically a credit card-sized plastic card that includes a semiconductor chip for holding the digital equivalent of cash directly, instead of pointing to an account or providing credits. When a card of this kind is used to make a purchase, the digital equivalent of cash is transferred to the merchant's "cash register" and the to a financial institution.

(Col. 3, lines 15-21)

The "Smart card" system offers to the merchant an efficient means of completing

transactions without establishing any individual stored value accounts at the merchant level. The

customer simply uses one card in place of many to charge his purchases. Such a system has no

need for and cannot access a locally set up stored value account as such would be meaningless.

The customer purposely seeks to eliminate multiple credit cards and multiple valued accounts for

the sake of having one card used at multiple stores debited. There is no stored value at the

merchant level and at each individual merchant – that is specifically what the smart card avoids.

Consequently, Davis unambiguously and positively leads away from the establishment

of stored value accounts at the merchant level. Specifically Davis discloses in the same portion

relied on by the Examiner:

> The merchant need not engage in the development of complex software or accounting
> procedures.
> (Col. 8, lines 14-15)

> Because a smart card with a stored-value application is used, the payment server and the
> client terminal perform the details of the transaction and a merchant is relieved from having to
> control and keep track of a transaction.
> (Col. 8, lines 19-22)

> The merchant need not be concerned about security nor be responsible for authenticating
> a stored-value card nor for determining the balance on the card.
> (Col. 8, lines 29-31).

Thus, Davis affirmatively rules out establishing accounts at the merchant level to retain

store value unique to that merchant.

Davis offers as an advantage to the smart –card system over credit card transactions and

thus accounts maintained by the merchant

For the consumer and the merchant dealing with many of these small transactions can be
a bookkeeping headache and may not be worth the expense.
(Col. 7, lines 54-56)

Davis thus discloses an architecture in which accounts for customers are **not** maintained

at the merchant. No stored value accounts exist at the merchant level. Figure 4 illustrates the

system with the merchant server 208. The use of this server is described in Col. 10, lines 42-65.

A client terminal 204 acts as the "bridge" between the smart card 5 and the merchant server 208

as well as the payment server 206 (See Fig. 5).

Instructive are the flow charts of Figures 10-15 which illustrate transactions using the

various embodiments of Davis, tied primarily to security issues. In none is stored value

maintained at the customer level. For example, step 514 in Fig. 10 shows the stored value on the

card debited. (See Col. 14, 56-58).

The payment server relied on by the Examiner is irrelevant to the claims, even if located

at the site of the merchant. This server is element 206 and controls payments to the merchant via

merchant server 208 (Col. 4, lines 50 – 65). Irrespective of the physical location of the payment

server, it does not perform "banking functions" as the Examiner contends. It does not allow for

deposits, maintaining demand accounts, check cashing and the like which are banking functions.

This server acts to pay the merchant for a sale by debiting the user's stored value card and

crediting the merchant server for that amount. (Fig. 10, Col. 14, lines 28 – 58).

Consequently, an artisan reviewing Davis would reach a conclusion directly opposite to that reached by the Examiner. The factual conclusion is that Davis does not disclose stored value accounts maintained by the merchant. Rather Davis instructs that such accounts are not needed, and would be rejected by the merchant.

Any proposed combination of Taylor in view of Davis would result in a system that would be materially different from that defined by the claims. Any such combined system would still not have any stored value accounts at the merchant level.

These points highlight the factual errors by the Examiner in considering the scope and content of the prior art. Such provides a basis to evaluate the methodology employed by the Examiner leading to an incorrect conclusion that the claims are obvious.

[b] Dependent Claims 23, 25, 27, 33 and 38.

These claims share a common trait in that they all deal with the handling of negotiable instruments, such as checks. They form a separate and distinct basis of patentability both in terms of structure and methodology by the handling of a "cash-like" vehicle. This attribute of patentability is set forth in the specification, beginning on page 8, second full paragraph.

Claim 23 defines "a plurality of point of sale terminals by which a customer may convert the value of a negotiable instrument to a customer's stored value account." The Examiner (Action p. 5) ascribes to Davis the function "associated with banking functions, i.e., funds transfer in and out", relying on Col. 8, lines 20 –36. This holding is in error. There is nothing in Davis and specifically in Col. 8 that describes a structure where the customer may take a negotiable instrument (i.e., a check) and at the point of sale deposit the value into the customer's

stored value account. The portion relied upon by the Examiner defines merely the physical

placement of the payment server, as a matter of choice, at the merchant server. The payment

server acts to pay the merchant for transactions made using the smart card. (Davis Col. 10, lines

60-65; Col. 12, lines 46-61). Even if so placed, there is no disclosure of deposits into the

customer's stored value account using the payment server. Stated differently, the payment server

does not act to permit a deposit into the customer's account.

Specifically, Davis does not in any way deal with a deposit being made at the merchant

location at a point of sale terminal. This would be the check-out lane or counter. Claim 23 is

non-obvious given the total lack of disclosure in Davis. Taylor is no more relevant and not relied

upon by the Examiner *vis-a- vis* this claim.

Claim 25 is properly defined by the Examiner (Action. p.6), including the admission that

Taylor does not disclose the limitations of this claim, that is, point of sale terminals to verify

checks presented for deposit. Reliance on Figures 7-8 as suggestive of this limitation is

erroneous. Figure 7 and step 202 as well as Fig. 8, step 218 both deal with electronic funds

transfer but have nothing to do with the requirements of claim 25. In the first instance step 202

is a simply a decision box determining the nature of a credit transaction using the card (see Col.

8, lines 10-19). There is no transfer of funds at that point. In Figure 8, the transfer occurs at box

218. This transfer is from value on the card to the merchant to settle that purchase. (see Col. 8,

lines 19 -33) Nowhere in that figure or any written description of it is there anything pertaining

to claim 25. Claim 25 deals with the verification of a check presented by the customer to the

merchant. This could be a personal check, payroll check or the like. The act of check verification

is plainly different from that of authorizing the use of a "smart" credit card to pay for a purchase.

Claim 27 amplifies this difference. It defines the step where a negotiable instrument is

presented to the merchant and the merchant may credit the value to the stored value account.

The Examiner (Action p. 7) relies on Col. 8, lines 1 – 67 but there is nothing in that portion of

Taylor describing crediting any stored value account by the merchant. This section of Taylor

describes the opposite, the payment of a purchase by verifying that sufficient funds exist. The

"account" which is the smart card is debited not credited. Further, the account in question is at

the customer's bank (See, Col. 8, lines 41-52) not a stored value account at the merchant level.

Likewise, the reliance on Taylor, Fig. 3 does not support the rejection of claim 28 (Action

p. 7). The limitations of this claim allow the customer to use value contained in the stored value

account to credit or debit other accounts in the individual program account. The portion of

Taylor relied on by the Examiner defines no more than the use of a single card common to

multiple accounts (60-64). It says nothing about moving value between those accounts coming

from a stored value account.

Claim 33 is patentable for the same reason claim 23 is patentable. There is nothing in

Davis, contrary to the Examiner's holding that deals with the use of a negotiable instrument to

alter balances at the point of sale. The Examiner provides no reference for this holding. The

rejection is factually flawed.

The same is true for claim 38. In contrast to the holdings by the Examiner concerning the

corresponding disclosure of Taylor there is nothing in common between the "electronic funds

transfer" and the "payment server" of Taylor and the claimed steps. First, the presentation of a

negotiable instrument, such as a check is not an electronic funds transfer. It is an act of deposit in

which value is created in the account by presentation of a negotiable instrument as opposed to

transferring existing value electronically from one account to another. The Examiner contends

that Taylor uses "a virtual negotiable instrument" (Action p. 12). That is of course not the case

since there is nothing "negotiable" in a transfer of funds between two customer controlled

accounts. The Examiner also contends that " a debit card is a negotiable instrument". There is no

support for this contention and it is incorrect since a debit card has established value and cannot

be assigned or transferred into third party accounts like a check (endorsed and noted "pay to the

account of " subject to clearance).

The Examiner's continued reliance on *Gulack* and *Lowry* (Action pp. 12-13) has been

shown to be incorrect. Thus these dependent claims are separately patentable.

Conclusion

For the reasons stated, each of the rejections lack an appropriate factual predicate. The

rejection under 35 U.S.C. § 102 cannot be affirmed since Taylor does not disclose each and

every limitation. The rejections predicated on obviousness cannot be sustained since the prior art

is deficient with respect to a number of limitations and does not contain the necessary suggestion

for the modifications the Examiner deems to be obvious. Additionally, the Examiner's legal

analysis of the claims as defining "descriptive material" is flawed and contrary to the decisions

he relies on to support that conclusion.

The rejections should all be reversed.

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SUPPLEMENTAL APPEAL BRIEF UNDER 37 C.F.R. § 1.193(b)(2)(ii)
U.S. Appln. No. 09/644,560
Attorney Docket No. A7809

The USPTO is directed and authorized to charge all required fees, except for the Issue

Fee and the Publication Fee, to Deposit Account No. 19-4880. Please also credit any
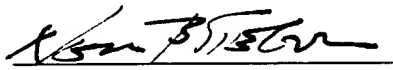
overpayments to said Deposit Account.

Respectfully submitted,

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APPENDIX

LISTING OF CLAIMS ON APPEAL

Claims 1-19. (canceled).

20. (previously presented): A financial transaction network for facilitating direct

management of financial assets for customers in individual program accounts, comprising:

means allowing a customer to access his individual program account, the individual

program account being an account representing an array of accounts that have been individually

selected by the customer from the totality of the accounts and including at least one stored value

account for a merchant,

a host processor for executing transaction instructions and maintaining individual

program account information, said host processor including a database for maintaining individual

program account transactions and records,

means for establishing and maintaining a plurality of customer individual program

accounts and,

means to support a customers' transactional interchange of said individual program

account including access to a stored value account having been pre-authorized by a customer to

settle transactions.

21. (previously presented): The financial transaction network of claim 20 further comprising, means to support a plurality of stored value accounts maintained by a merchant for a plurality of customers each having an individual program account.

22. (previously presented): The financial transaction network of claim 20 further comprising, means to support a plurality of demand deposit accounts maintained by a plurality customers in a federally-insured banks as a component of an individual program account.

23. (previously presented): The financial transaction network of claim 21 further comprising, means to support, at a merchant locations, a plurality of point of sale terminals by which a customer may convert the value of a negotiable instrument to a customer's stored value account.

24. (previously presented): The financial transaction network of claim 20 further comprising, means to support an array of mechanisms by which customers may convert value from one account in their individual program account to another account in the same individual program account.

25. (previously presented): The financial transaction network of claim 23 further comprising, means enabling said merchant to utilize point of sale terminals to access services to verify a check presented by a customer to the merchant.

26. (previously presented): The financial transaction network of claim 20 further comprising, means for establishing a merchant demand deposit account and providing said merchant access to that same merchant demand deposit account.

27. (previously presented): The financial transaction network of claim 23 further comprising ,means enabling said merchant to credit to a customer's stored value account by an amount based on the value of a negotiable instrument presented to the merchant by the customer.

28. (previously presented): The financial transaction network of claim 21 further comprising means enabling a customer to access their stored value account to credit or debit other accounts in their individual program account.

29. (previously presented): The financial transaction network of claim 21 further comprising means enabling a customer to utilize the value in the customer's stored value account and instruct the merchant to credit the customer's demand deposit account at a bank with funds from said merchant's demand deposit account.

30. (previously presented): A method of consumer transaction comprising the steps of: establishing a customer individual program account which includes at least one customer stored value account,

establishing a customer demand deposit account,

establishing a merchant stored value account, and

executing a transaction between said consumer and said merchant affecting the account balances

in said customer stored value account, said customer demand deposit account and said

merchant's stored value account.

31. (currently amended): The method of claim 30 further comprising, the step of pre-approving withdrawals from either a customer stored value account or a customer demand

deposit account.

32. (previously presented): The method of claim 30 further comprising, the step of

establishing accounts within said individual program account.

33. (previously presented): The method of claim 30 wherein said step of executing a

transaction comprising the step of presenting a negotiable instrument at a point of sale at said

merchant, to credit or debit account balances.

34. (previously presented): The method of claim 30 further comprising the step of

providing customer access to the customer demand deposit account and said customer individual

program account accounts to convert balances from one account to another account.

35. (previously presented): The method of claim 30 further comprising the step of providing merchant access to the merchant stored value account to convert a balance to said customer demand deposit account.

36. (previously presented): The method of claim 30 further comprising, the step of establishing a merchant demand deposit account.

37. (previously presented): The method of claim 36 further comprising, the step of converting a balance from said merchant demand deposit account to said customer demand deposit account.

38. (currently amended): The method of claim 31 further comprising, the steps of said customer presenting a negotiable instrument at a point of sale at said merchant, acceptance of the negotiable instrument by the merchant, crediting a corresponding value corresponding to the negotiable instrument to the customer stored value account and paying for the purchase of goods from said merchant.